

OFFICIAL FILE

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I.C.C. DOCKET NO. 04-0779 Northern Illinois Gas Company
AG Cross Exhibit No. 16 d/b/a Nicor Gas Company
Witness _____ Response to:
Illinois Attorney General
Date 5-24-05 Reponer BAP Ill.C.C. Docket No. 04-0779
AG First Data Request

- AG 1.37 Q. Referring to Schedule C-4, please explain the reason for the increase in expenses charged to the following accounts in 2004 as compared to 2003:
- Account 863 – Maintenance of Mains
 - Account 874 – Mains and Services Expense
 - Account 903 – Customer Records and Collection Expenses
 - Account 920 – Administrative and General Salaries
 - Account 921 – Office Supplies and Expenses
 - Account 925 – Injuries and Damages
- AG 1.37 A. The increase in these accounts is as follows:
- The increase in account 863, Maintenance of Mains is primarily due to a linolog program (in which a device is inserted into transmission pipes to inspect for corrosion issues), as well as a pipeline integrity program. While not performed in 2003, these programs are expected to be performed annually in the future, in order to meet changes in environmental regulations.
 - The increase in account 874, Mains and Services Expense is primarily due to an increase in locating and leak survey expense, as well as training costs incurred on behalf of new employees. Beginning in 2004, regulations require an increased number of locates, resulting in increased locating expense.
 - The increase in account 903, Customer Records and Collection Expense is due to an increase in employees in the Dispatch area. In prior years, these employees would have been reported in accounts 871 – 893. These costs are partially offset by a decrease in 2004 budgeted expense related to the Customer Call Center, due to lower call volumes.
 - The increase in account 920, Administrative and General Salaries, is primarily due to:
 - Budgeted increase in performance incentive expense – Performance incentives are budgeted assuming a 100% payout. However, 2003 actual expense was at a 50% payout level.
 - Expansion of Risk Management department in 2004
 - Budgeted increase in expense related to an incentive compensation benefit plan. In 2003, the reserve representing estimated future plan payouts was reduced, based on updated actuarial information.

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- Budgeted increase in costs billed to the Company from Nicor Inc related to certain corporate benefit plans. Increase is due to changes in benefit payout amounts. Budget primarily assumes a 100% payout, while 2003 actual expense was reduced to a 50% payout level.
 - Restructuring in the Information Services area which resulted in increased payroll for application support.
 - Increased payroll expense related to Nicor Services and Nicor Enerchange. Offsetting credit related to these costs is recorded in account 922.
 - Increase in executive payroll in 2004 due to an increase in headcount.
 - Increase in payroll for the Customer Relations department. In 2003, this department was in existence for three months, while in 2004, the department was in existence for the entire year.
- e. The increase in account 921, Office Supplies and Expenses, is primarily due to:
- Increased hardware and software maintenance expenses due to new contracts
 - 2004 budgeted capitalization of Information Services expense is reduced, based on anticipated project work
 - Budgeted increase in general office administrative expenses due to increased utility charges. 2003 utility charges were reduced due to credits received.
 - Increased training expenses
 - These increases in expense are partially offset by decreased communication fees budgeted in 2004 due to a change to a new vendor.
- f. The increase in account 925, Injuries and Damages is primarily due to insurance recoveries related to the mercury incident which were recorded in 2003. Recoveries are not budgeted for.